



ECONOMIC INDICATORS

JULY - AUGUST 1999

REVIEW OF RECENT ECONOMIC DEVELOPMENTS

California's economy crossed the half way point of 1999 as strongly as it began the year. Employment growth is maintaining a steady pace and is most likely growing faster than official figures indicate (see MORE JOBS IN CALIFORNIA? below). Both residential and nonresidential construction are showing solid growth, while existing home prices and sales are posting robust gains. However, tepid international export performance is dampening several manufacturing industries.

EMPLOYMENT Industry employment—based on a relatively large survey of employers—is growing steadily, but the pattern of the growth is being influenced by international trade developments and by sustained construction growth.

NONFARM
EMPLOYMENT GROWS
3.0 PERCENT OVER
THE YEAR

Nonfarm payroll employment in California rose 28,400 in June to reach 13,967,300—the 38th consecutive month of record high payroll employment. All industry sectors except manufacturing and mining grew during June. Manufacturing was unchanged from May. Mining lost 300 jobs.

Retail trade, construction, and services grew by similar amounts in June: 6,700, 6,400, and 6,200 respectively. Eating and drinking establishments accounted for slightly over half of the growth in retail trade. Service growth was led by business services which added 8,600 jobs.

**Manufacturing Employment Growth
Export Versus Construction
June 1998 to June 1999
1,000s of Jobs, Seasonally Adjusted**

	June 1998	June 1999	Job Growth	Percent Change
CONSTRUCTION RELATED				
Lumber & Wood Products	57.5	58.6	1.1	1.9%
Furniture & Fixtures	59.1	60.5	1.4	2.4%
Stone, Clay, & Glass	47.7	49.3	1.6	3.4%
Primary Metals	35.2	34.8	(0.4)	-1.1%
Fabricated Metal Products	128.3	126.6	(1.7)	-1.3%
TOTAL	327.8	329.8	2.0	0.6%
EXPORT RELATED				
Industrial Machinery	234.3	227.5	(6.8)	-2.9%
Electronic Equipment	271.3	262.5	(8.8)	-3.2%
Transportation Equipment	171.1	162.1	(9.0)	-5.3%
Instruments & Related Products	185.0	180.2	(4.8)	-2.6%
Miscellaneous Manufacturing	48.5	48.2	(0.3)	-0.6%
TOTAL	910.2	880.5	(29.7)	-3.3%

Even though the motion picture sector reported a loss of 4,900 jobs in June, this followed a gain of 8,200 jobs in May. Overall, during the first six months of 1999, the motion picture industry has grown by 3,700 jobs, or 2.0 percent.

On a year-over-year basis, nonfarm payroll employment in California in June increased by 412,700 jobs or 3.0 percent. Construction, transportation and public utilities, trade, finance, insurance, and real estate, services and government all recorded positive job growth. Services added the largest number of jobs by increasing 222,600—a growth rate of 5.3 percent—primarily in the business services sector. Based on

Building Activity	2
Employment Indicators	3
Official & Interim Series	4
Economic Indicator Tables	6
Economic Indicator Charts	9
Chronology	14

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The state's unemployment rate in June—estimated from a separate survey of households—was 5.3 percent, unchanged from May's revised 5.3 percent. The unemployment rate in June 1998 was 5.9 percent. The number of people employed reported in the household survey increased by 53,000 during June, establishing a new record high of 15,701,000. The number of unemployed in California was 881,000 in June—an increase of 5,000 from May but a decline of 83,000 over the year.

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Residential building, as measured by permits, appeared to have mixed results on a year-over-year basis, with strong single family growth offset by some weakness in the volatile multi-family category. Permits for single family homes reached 116,300 units at an annual rate in June, which is a 23.4 percent rise from one year ago and a 7.6 percent jump from May 1999. Multifamily permits, at a 35,600 unit annual pace in June, was down from an abnormally strong year ago level, but jumped 31.6 percent from May 1999.



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REAL ESTATE

MEDIAN HOME PRICE TOPS \$226K

ASIAN CONDITIONS BEGINNING TO TURN AROUND?

NAFTA AND EUROPE ARE WEAKER

EMPLOYMENT INDICATORS

Existing homes sales and prices both rose in May and in June. Good economic conditions are driving strong demand for homes and, coupled with a limited supply in some regions, prices are rising to record levels.

Sales of existing single-family homes totaled 702,100 in June at a seasonally-adjusted annual rate—an increase of 9.5 percent from June 1998.

California's median single-family home price reached \$226,140 in June—an 8.2 percent increase over June 1998, but essentially unchanged from May 1999. This leveling off followed a 3.9 percent jump in home prices between April and May. The highest prices in the state are found in Santa Clara County, where the median price hit \$411,920 in June.

Export data for the first quarter of 1999 may reflect the first signs of an economic turnaround in Asia, but it also hinted at weakness in Mexico and Europe.

For the first time in over a year, California exports to East Asia— Korea, Hong Kong, China and Taiwan—showed year-over-year growth. Additionally, losses to the rest of Asia are smaller than in 1998.

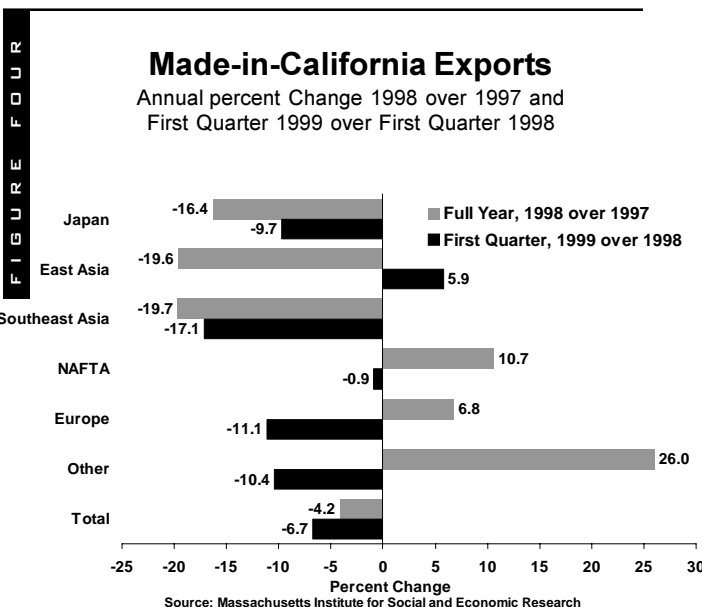
East Asia absorbed nearly 20 percent of California exports in 1997, but the region's share fell to about 16 percent in 1998, as exports fell 20 percent. Exports to Korea grew 40 percent in the first quarter, following a 43 percent plunge in 1998, while exports to the rest of the region held steady.

Since the Asian crisis began, California has managed to overcome most export losses to East Asia with gains in sales to Canada, Mexico and Western Europe. Those trends now appear to have reversed. Weakness in exports to Mexico, first observed in the fourth quarter of 1998, has continued. Declines in sales to Mexico more than offset moderate gains to Canada, and overall NAFTA exports were down in the first quarter for the first time in several years. Last year's gains in sales to Europe have become losses in most major markets in this year's first quarter. European economic growth stalled in late 1998 and early 1999, reducing the demand for imported goods. Most major European economies are seeing a resumption of growth in the spring and summer months.

The 'Other' destination category is made up of South and Central America, Africa, the Middle East, and central Asian republics. The Other category accounts for less than 7½ percent of total exports, and is dominated by high-value, but volatile shipments of aerospace equipment.

MORE JOBS IN CALIFORNIA?

The most closely watched indicator of the economy's condition is the employment situation. There are two different monthly employment reports that describe California labor market conditions. The household employment series estimates the unemployment rate and civilian employment, and covers all workers, including the self employed and those in agriculture. The industry-based nonfarm employment series is derived from a survey of employers and excludes the self employed, farm and agricultural services workers. The household data count the number of people employed and unemployed; the employer or establishment series counts the number of jobs in nonfarm industries.



PAYROLL EMPLOYMENT
IS THE MOST
INFORMATIVE
— . . . —

The nonfarm or establishment series is considered by economists to be the more useful of the two labor market measures, first because it provides an insight to industry trends—the inner workings of the economy—and because it is based on a much larger sample than the household data. The establishment series has a further advantage—it can be verified or "benchmarked" using actual payroll tax tabulations from the unemployment insurance (UI) program, covering virtually all private employers in the state. The household data, on the other hand, can be checked only once every ten years when the Census is taken.

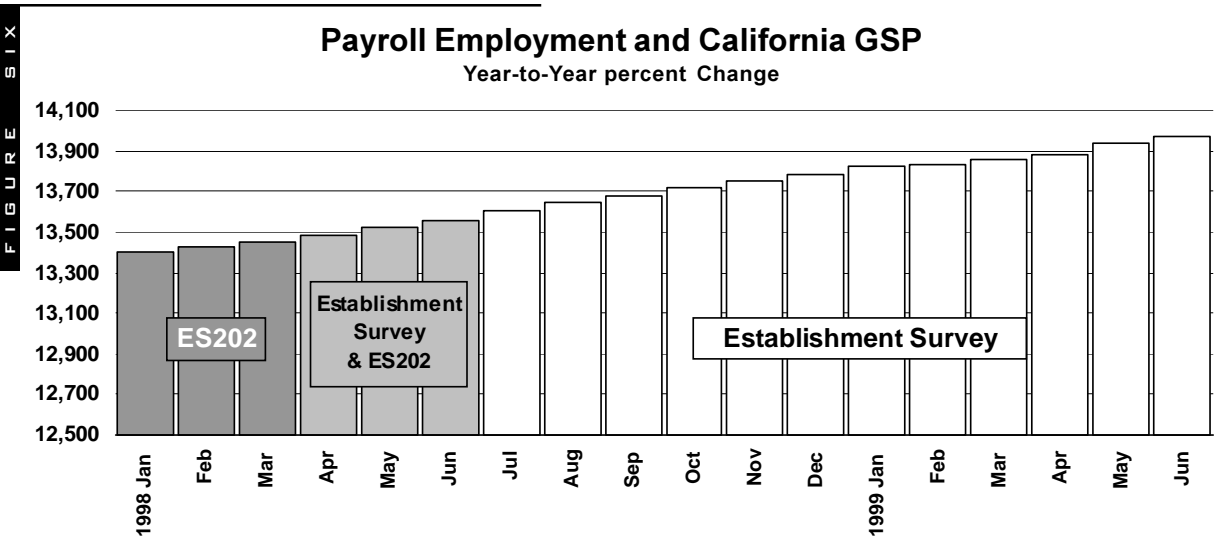
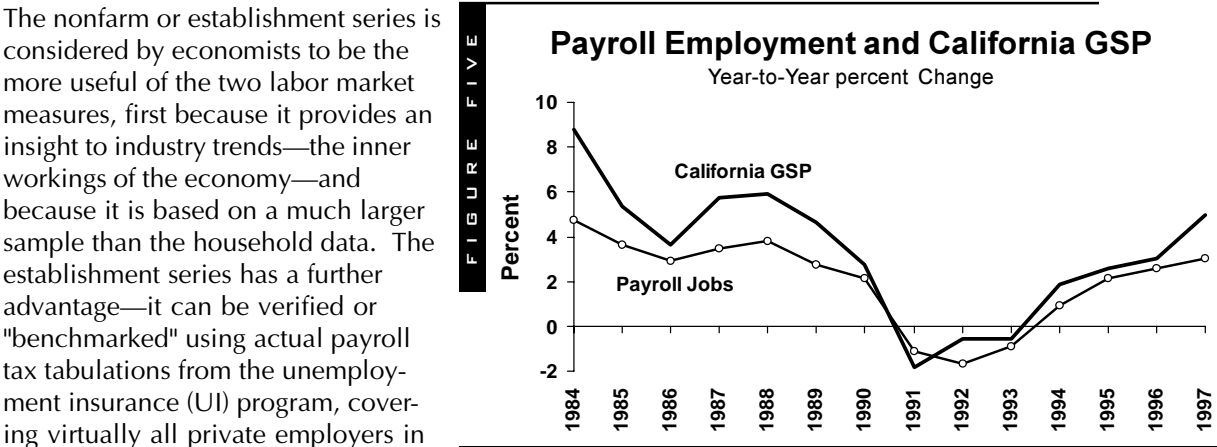
SMALL & NEW
FIRMS ARE UNDER-
REPRESENTED
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However, even the establishment survey is not quite perfect. In the interest of efficiency, virtually all large employers are included in the monthly survey, but smaller establishments are sampled. Moreover, the sample is drawn from a "universe" of payroll tax payers who have filed returns for at least two consecutive years at the time the sample is drawn. Because of lags in the payroll reporting system, this means that new firms started in the most recent three to four years are excluded from the survey.

These "blind spots" among newer and smaller employers can cause the survey to under- or over-state employment, often at critical moments of economic boom or bust. In the national data, the Bureau of Labor Statistics estimates a "bias adjustment" to account for the survey's shortcomings. However most states, including California, do not use the bias adjustment in state and local data they publish. Fortunately, the UI data are actually tabulated for each quarter of the year, with a lag of about six months. Thus, it is possible to more frequently check the survey results against the payroll data.

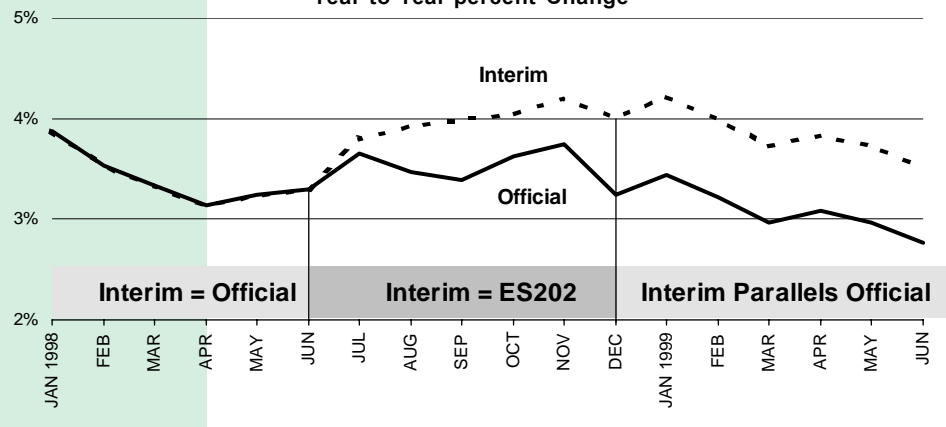
The state's official payroll employment series is developed by the California Employment Development Department as an agent for the U.S. Department of Labor, Bureau of Labor Statistics. The Bureau sets the procedures and provides the regression models used by all states to derive employment statistics.

The official payroll employment series is derived from a monthly establishment survey of about 36,000 firms that in total employ about 35 percent of all payroll employees in the state. As noted above, once each year these estimates are calibrated, or "benchmarked" to the year's first quarterly UI tax report (known in government circles as the ES-202). The current series uses a March 1998 benchmark. The first quarter tax information undergoes a rigorous review and editing process to ensure its



Nonfarm Employment, Official and Interim Estimates

Year-to-Year percent Change



accuracy and completeness. The official estimates for the second quarter are based on the establishment survey and only in part on ES202 data since it has not been reviewed as thoroughly. Thereafter, until a new benchmark is established the following year, monthly estimates are calculated based solely on the trends indicated by the establishment survey.

For the last 30 years, the Employment Development Department (EDD) and the Department of Finance have prepared an alterna-

tive or "interim benchmark" series which updates the benchmark to the most recent available ES202 data. Although the interim ES202 data are not scrutinized with the intensity required for the official benchmark, the interim series is a useful supplement to the official data.

STRONGER GROWTH IN THE INTERIM SERIES

For the last several years, the interim series and the official survey-based data have tracked one another quite well. Recently, however, the official and interim estimates have begun to diverge and the current official series appears to be understating payroll employment growth.

The current interim series is based on ES-202 payroll data through December. For the months for which ES202 data is not yet available, the interim series merely adds the survey-based changes in nonfarm employment. Thus the interim series parallels the official series for all months after the last ES202 report. Currently, total nonfarm employment in the interim series for January through June of 1999 is a constant 102,800 higher than the official series. (In the seasonally adjusted data, there is a small variance around this 102,800 gap, reflecting the slightly different industry mixes in the two series because each industry is adjusted separately, and summed to the nonfarm total.)

California nonfarm jobs in June 1999 totaled 14,128,400 in the interim series versus 14,025,600 in the official series. The interim series shows year-over-year nonfarm job growth of over 479,900 or 3.5 percent. The official series shows only a 377,100 job gain for 2.8 percent growth.

Official and Interim Nonfarm Employment

June 1999

Thousands of Jobs, Not Seasonally Adjusted

	Interim	Official	Interim minus Official
TOTAL NONFARM	14,128	14,026	102.8
Mining	23	24	-0.8
Construction	697	663	34.0
Manufacturing	1,937	1,950	-12.5
Durable Goods	1,215	1,213	1.5
Nondurable Goods	722	736	-14.0
Transportation & Public Utilities	717	716	0.8
Trade	3,182	3,168	14.1
Wholesale Trade	823	825	-2.3
Retail Trade	2,359	2,343	16.4
Finance, Insurance & Real Estate	830	815	14.2
Services	4,484	4,431	53.0
Government	2,259	2,259	0.0

Comparing the June 1999 interim estimates with the official data, most of the additional jobs are in industries dominated by smaller and newer firms that are often missed by the establishment survey. Thus, as Figure 8 illustrates, the construction and service industries, along with retail trade, accounted for most of the additional jobs picked up by the interim series.

Within the service sector, business services—which includes computer programming and personnel supply firms—was 28,400 above the official tally, while engineering and management consulting firms were 12,600 higher in the interim series. Employment in the motion picture industry—which is particularly difficult to track, given the role of payroll services in hiring and the widespread practice of creating single-film production companies—was 9,600 higher in the interim series. In contrast, apparel manufacturing in the interim series was 11,000 lower, confirming anecdotal evidence that the strong dollar was having an adverse effect on the clothing industry.

ECONOMIC INDICATOR TABLES

SELECT INDICATORS

EMPLOYMENT

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EMPLOYMENT (Seasonally Adjusted)

	1999				1998	Yr-Over-Yr
	Jun	May	Apr	Mar	Jun	%Change
Civilian employment (000)	15,701	15,648	15,602	15,569	15,356	2.2
Unemployment (000)	881	876	944	964	964	-8.6
Unemployment rate	5.3	5.3	5.7	5.8	5.9	--
Nonagricultural wage and salary employment (000)	13,967.3	13,938.9	13,881.7	13,852.4	13,554.6	3.0
Mining	23.2	23.5	23.8	23.7	25.5	-9.0
Construction	656.5	650.1	636.6	631.5	600.1	9.4
Manufacturing	1,950.9	1,950.9	1,950.0	1,948.9	1,963.8	-0.7
High technology a/	514.1	513.8	515.7	518.2	538.5	-4.5
Aircraft and parts	82.8	83.5	84.0	84.7	89.6	-7.6
Missiles and space vehicles	22.8	22.9	23.1	23.2	25.4	-10.2
Search and navigation equipment	54.7	55.0	55.3	55.5	57.9	-5.5
Computer and office equipment	90.6	89.7	90.1	90.6	94.6	-4.2
Communications equipment	36.3	36.4	36.6	36.8	37.4	-2.9
Electronic components	156.7	156.2	156.5	156.9	162.1	-3.3
Measuring and controlling devices	70.2	70.1	70.1	70.5	71.5	-1.8
Transportation and public utilities	714.6	711.8	710.2	707.5	695.0	2.8
Trade	3,168.3	3,158.4	3,154.4	3,157.4	3,117.4	1.6
Finance, insurance and real estate	812.9	811.5	811.2	808.0	798.5	1.8
Services	4,417.5	4,411.3	4,379.9	4,366.3	4,194.9	5.3
Government	2,223.4	2,221.4	2,215.6	2,209.1	2,159.4	3.0

HOURS & EARNINGS

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HOURS AND EARNINGS IN MANUFACTURING (Not seasonally adjusted)

Average weekly hours	41.8	41.8	41.6	41.9	41.9	-0.2
Average weekly earnings	\$582.27	\$581.02	\$576.16	\$580.32	\$570.68	2.0
Average hourly earnings	\$13.93	\$13.90	\$13.85	\$13.85	\$13.62	2.3

CONSUMER PRICES

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CONSUMER PRICE INDEX (1982-84=100) Not seasonally adjusted

All Urban Consumers Series						
California Average	167.8	n.a.	168.8	n.a.	163.6	2.6
San Francisco CMSA	171.8	n.a.	172.2	n.a.	165.5	3.8
Los Angeles CMSA	165.4	166.2	166.6	165.0	162.2	2.0
Urban Wage Earners and Clerical Workers Series						
California Average	161.6	n.a.	162.6	n.a.	157.6	2.5
San Francisco CMSA	168.3	n.a.	168.8	n.a.	161.7	4.1
Los Angeles CMSA	158.9	159.7	160.1	158.3	156.1	1.8

CONSTRUCTION

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CONSTRUCTION

Private residential housing units authorized (000) b/	151.9	135.1	134.6	123.4	148.3	2.4
Single units	116.3	108.1	102.9	95.6	94.2	23.4
Multiple units	35.6	27.0	31.7	27.8	54.1	-34.2
Residential building authorized valuation (millions) c/	\$2,436	\$2,078	\$2,014	\$2,131	\$1,923	26.7
Nonresidential building authorized valuation (millions) c/	\$1,346	\$1,229	\$1,093	\$1,481	\$1,272	5.8
Nonresidential building authorized valuation (millions) d/	\$1,510	\$1,288	\$1,200	\$1,549	\$1,430	5.6
Commercial	632	462	403	491	530	19.3
Industrial	175	168	125	211	261	-32.9
Other	179	178	183	325	154	16.5
Alterations and additions	523	480	489	522	485	7.8

AUTO SALES (Seasonally adjusted)

New auto registrations (number)	128,341	132,988	133,602	131,924	117,318	9.4
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a/ Based on the 1987 SIC codes. These values are not seasonally adjusted.

b/ Seasonally adjusted at annual rate

c/ Seasonally adjusted

d/ Not seasonally adjusted

n.a. Not available

**SELECT
INDICATORS**
(CONTINUED)

VACANCY RATES

VACANCY RATES FOR 2ND QUARTER 1999
(Percent)

		Office		Industrial
	<u>Total</u>	<u>Downtown</u>	<u>Suburban</u>	
Northern and Central California:				
Fresno	13.7	31.4	10.4	n.a.
Oakland-East Bay	7.7	11.1	6.6	--
Sacramento	9.0	7.0	9.7	n.a.
San Francisco	n.a.	n.a.	n.a.	n.a.
San Jose	n.a.	n.a.	n.a.	--
Southern California:				
Bakersfield	n.a.	n.a.	n.a.	--
Los Angeles	n.a.	n.a.	n.a.	n.a.
Orange County	10.4	--	10.4	--
San Diego	8.0	12.0	6.9	n.a.
Ventura County	8.1	--	8.1	--
National Average	n.a.	n.a.	n.a.	n.a.

n.a. Data not available at time of publication

Median Price of Existing Single Family Homes

1998				1999	
Jan	\$190,550	Jul	211,590	Jan	\$202,370
Feb	186,420	Aug	209,890	Feb	196,838
Mar	193,910	Sep	204,440	Mar	213,490
Apr	198,250	Oct	197,230	Apr	217,090
May	202,960	Nov	199,920	May	225,480
Jun	209,000	Dec	198,120	Jun	226,140

HOME PRICES

**LEADING
INDICATORS**^{a/}

		Manufacturing Overtime Hours	Average Weekly Hours	Unemployment Insurance Initial Claims	New Business Incorporations	Housing Unit Authorizations (Thousands)
1997	Jan	4.8	41.6	66,092	4,679	92.9
	Feb	4.8	41.8	56,785	4,347	124.2
	Mar	5.1	42.1	59,609	3,578	94.5
	Apr	5.0	41.9	59,107	4,061	103.3
	May	5.0	41.9	60,324	4,456	108.8
	Jun	5.0	41.9	63,124	4,405	108.7
	Jul	4.9	41.9	62,356	4,740	114.1
	Aug	5.0	42.0	62,326	4,213	114.0
	Sep	4.9	41.8	62,989	4,751	118.2
	Oct	4.9	42.0	61,242	4,681	131.4
	Nov	5.0	42.2	59,120	4,386	115.4
	Dec	5.2	42.1	58,601	4,815	109.3
1998	Jan	5.2	42.2	57,572	4,676	113.1
	Feb	5.0	41.9	60,703	4,543	116.2
	Mar	4.9	41.9	57,883	4,621	119.1
	Apr	4.5	41.1	58,845	5,275	116.1
	May	4.8	41.9	57,980	4,454	119.5
	Jun	4.9	41.9	54,154	4,777	148.3
	Jul	4.7	42.1	54,407	4,844	120.1
	Aug	4.7	41.7	53,096	4,357	135.8
	Sep	4.4	41.3	49,321	3,732	121.9
	Oct	4.7	41.8	53,693	4,617	132.8
	Nov	4.6	41.7	54,886	4,682	136.9
	Dec	4.6	41.8	54,275	4,602	129.5
1999	Jan	4.8	42.2	51,629	4,899	160.0
	Feb	4.7	41.9	53,117	5,023	143.9
	Mar	4.6	41.9	53,132	6,068	123.4
	Apr	4.7	41.9	53,377	5,371	134.6
	May	4.9	42.1	50,748	5,189	135.1
	Jun	4.9	41.8	51,006	5,621	151.9

a/ Seasonally adjusted by the California Department of Finance.

COINCIDENT INDICATORS/^a

EMPLOYMENT,
UNEMPLOYMENT

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		Nonagricultural Employment (Thousands)	Manufacturing Employment (Thousands)	Unemployment Rate (Percent)	Unemployment Avg. Weeks Claimed (Thousands)
1997	Jan	12,903	1,875	6.7	449
	Feb	12,966	1,886	6.5	410
	Mar	13,013	1,893	6.4	378
	Apr	13,074	1,900	6.4	399
	May	13,090	1,905	6.3	371
	Jun	13,123	1,913	6.3	384
	Jul	13,158	1,921	6.2	396
	Aug	13,176	1,925	6.2	375
	Sep	13,222	1,928	6.2	385
	Oct	13,261	1,936	6.2	383
	Nov	13,274	1,940	6.1	372
	Dec	13,337	1,949	6.1	381
1998	Jan	13,405	1,951	6.0	342
	Feb	13,425	1,956	6.0	362
	Mar	13,449	1,958	6.0	369
	Apr	13,487	1,959	5.9	369
	May	13,526	1,963	6.0	360
	Jun	13,555	1,964	5.9	359
	Jul	13,606	1,964	5.9	349
	Aug	13,648	1,965	5.9	358
	Sep	13,680	1,966	6.0	358
	Oct	13,717	1,966	5.9	329
	Nov	13,749	1,961	5.9	351
	Dec	13,783	1,960	5.9	351
1999	Jan	13,828	1,959	5.8	362
	Feb	13,834	1,953	5.6	367
	Mar	13,852	1,949	5.8	377
	Apr	13,882	1,950	5.7	365
	May	13,939	1,951	5.3	381
	Jun	13,967	1,951	5.3	384

INCOME, WAGES,
TAXABLE SALES

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		Personal Income (\$ millions)	Wages & Salaries from Mining, Construction and Manufacturing (\$ millions)	Taxable Sales (\$ millions)
1995	Qtr I	737,678	85,168	72,835
	Qtr II	752,820	86,492	74,952
	Qtr III	760,687	87,799	75,993
	Qtr IV	765,892	88,762	76,923
1996	Qtr I	786,401	93,690	79,238
	Qtr II	791,576	90,948	80,106
	Qtr III	795,922	90,009	80,398
	Qtr IV	818,180	95,666	81,225
1997	Qtr I	826,792	99,871	83,110
	Qtr II	836,688	101,755	84,808
	Qtr III	849,492	103,650	86,057
	Qtr IV	871,098	106,328	87,779
1998	Qtr I	881,347	108,143	87,601
	Qtr II	892,438	110,432	89,635
	Qtr III	903,909	111,517	90,695
	Qtr IV	939,397	118,491	91,596
1999	Qtr I	955,148	119,068	95,312

a/ Seasonally adjusted by the California Department of Finance with the exception of the nonagricultural and manufacturing employment and the unemployment rate which are seasonally adjusted by the California Employment Development Department.

ECONOMIC INDICATOR CHARTS

TECHNICAL NOTE

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are manufacturing employment and taxable sales. These series are discussed in the technical note below.

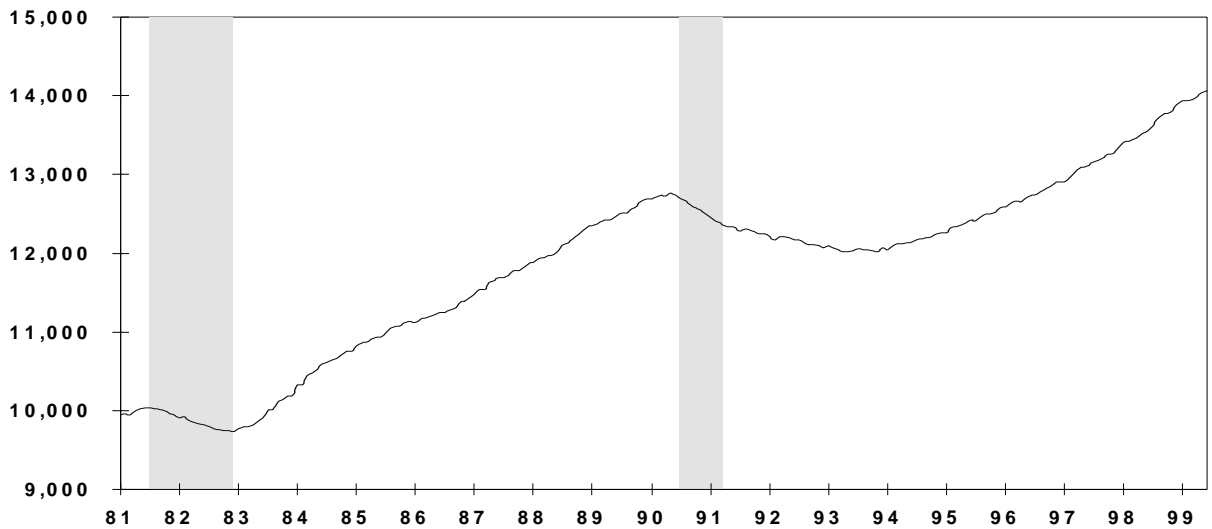
Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-11 Arima program. Persons interested in a detailed description of this method are referred to Statistics Canada, *The X-11 Arima Seasonal Adjustment Method* (Catalog No. 12-564E, February 1980).

Under the X-11 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the California Economic Indicators it is necessary to “freeze” the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

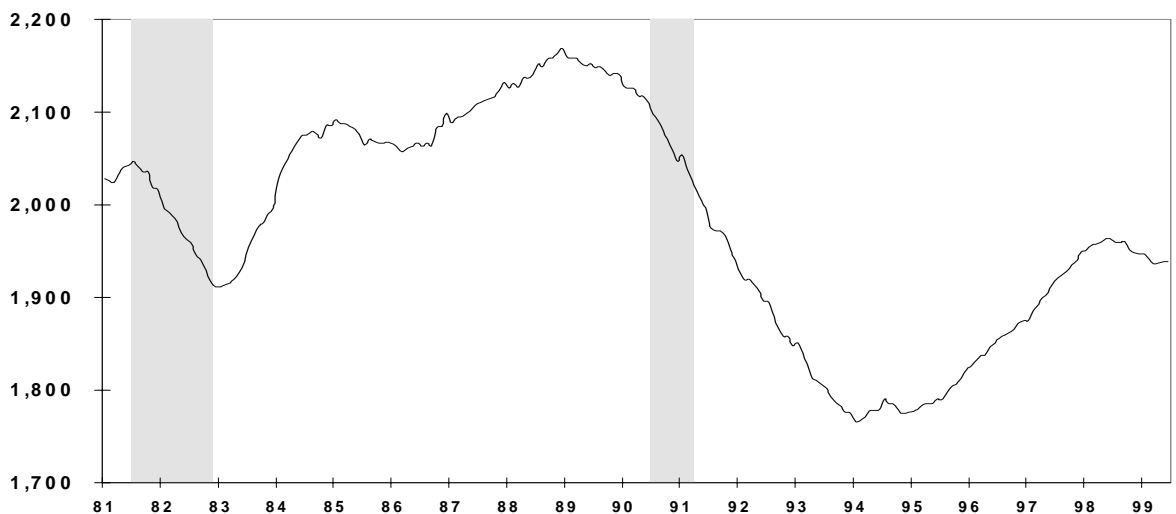
This series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is, therefore, a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950. The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.

NONAGRICULTURAL
EMPLOYMENT
(THOUSANDS,
SEASONALLY ADJUSTED)



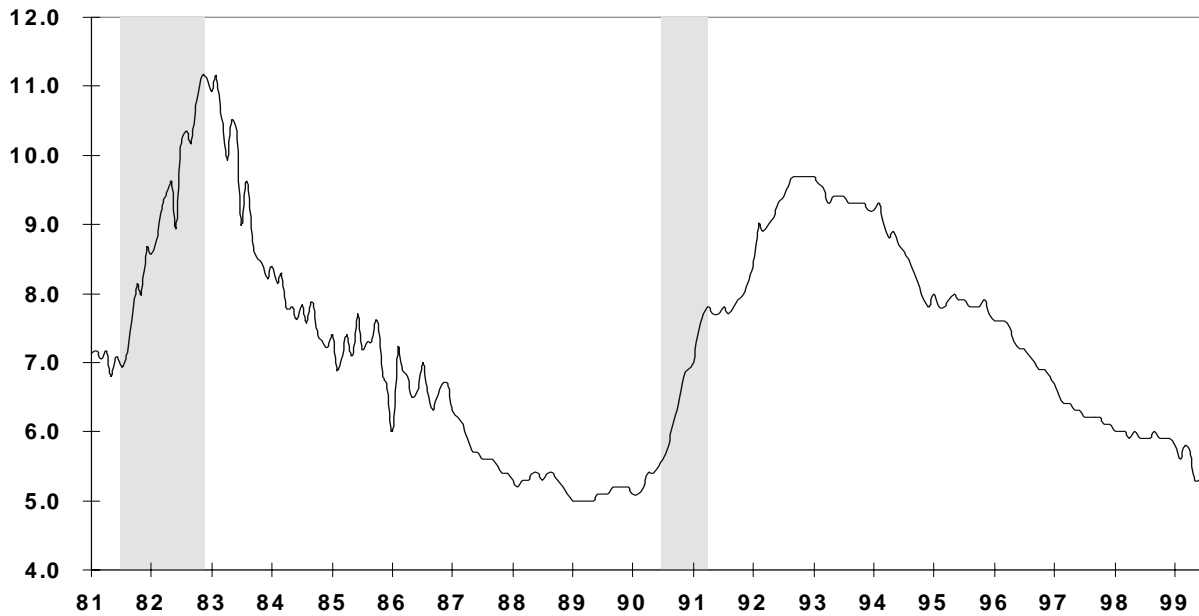
MANUFACTURING
EMPLOYMENT
(THOUSANDS,
SEASONALLY ADJUSTED)



UNEMPLOYMENT RATE

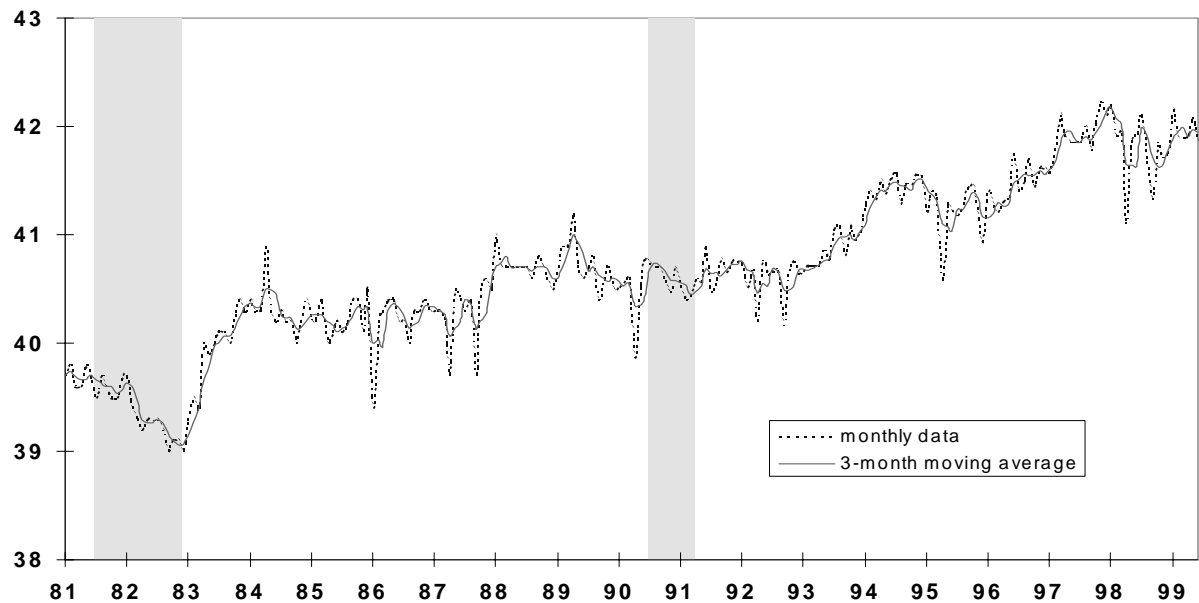
(PERCENT)

— . . . —



AVERAGE WEEKLY HOURS, MANUFACTURING (SEASONALLY ADJUSTED)

— . . . —

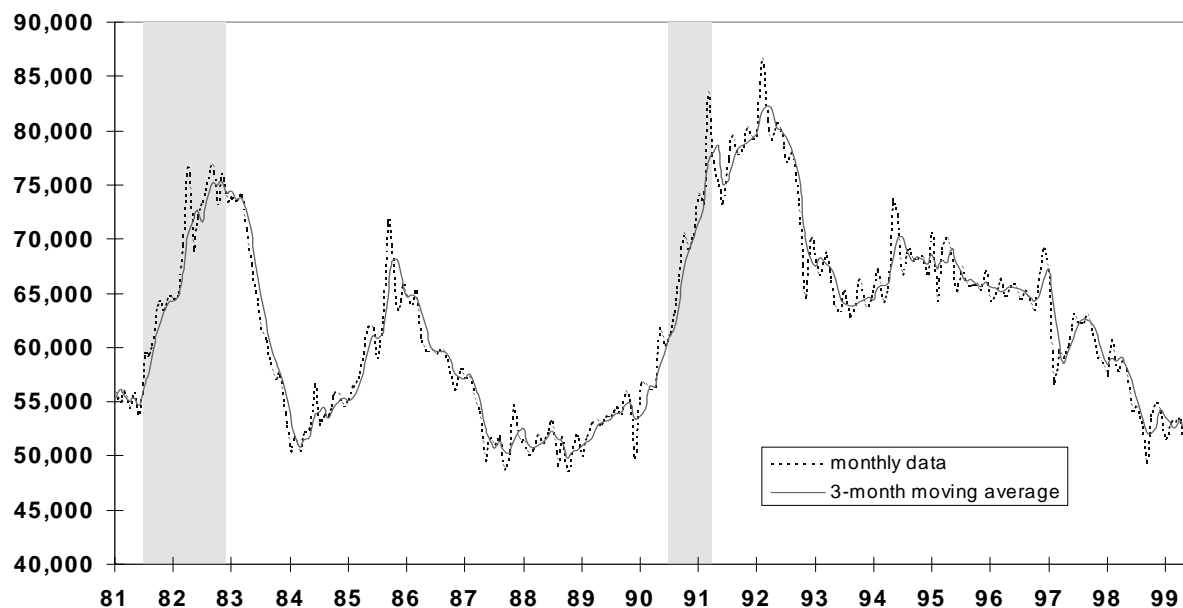


AVERAGE OVERTIME HOURS, MANUFACTURING (SEASONALLY ADJUSTED)

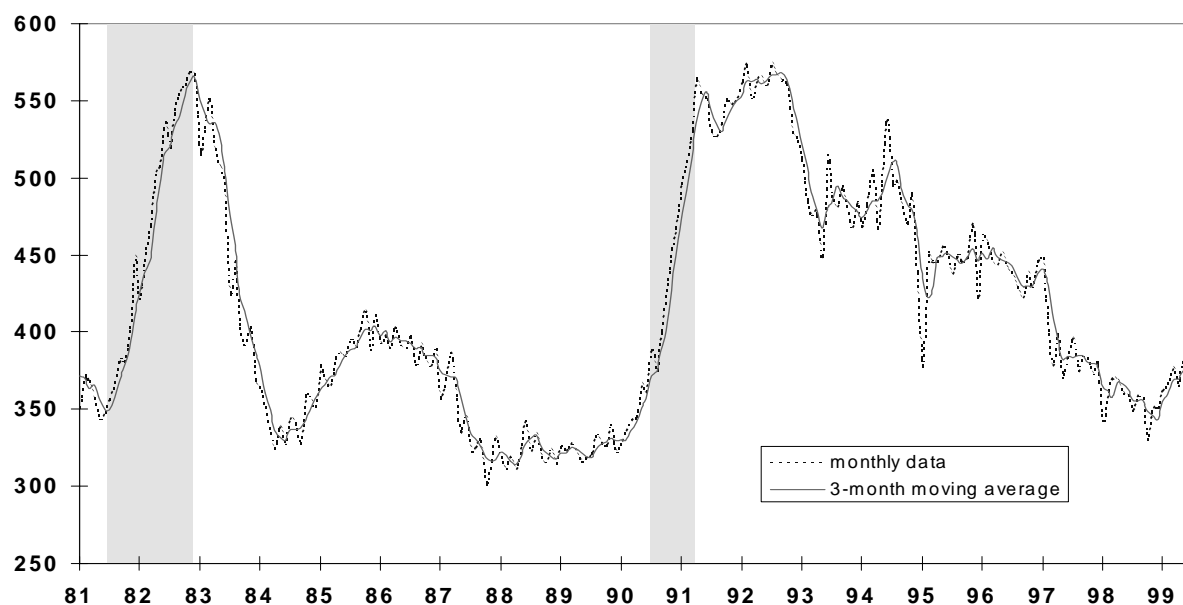
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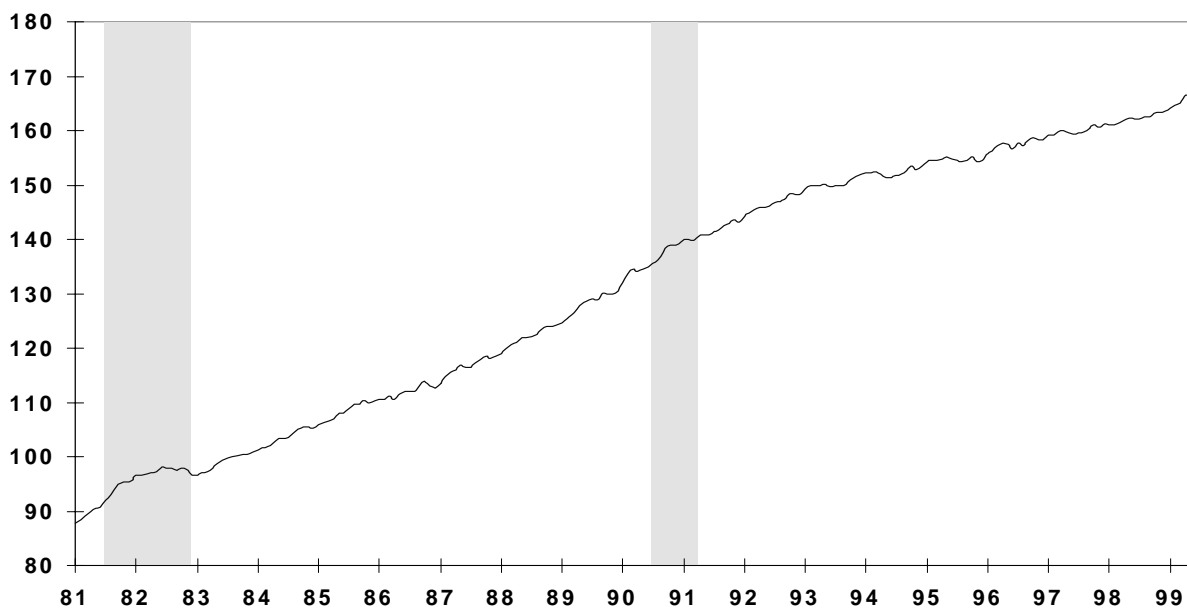
INITIAL AND
TRANSITIONAL CLAIMS
FOR UNEMPLOYMENT
INSURANCE
(WEEKLY AVERAGE IN
THOUSANDS, SEASONALLY
ADJUSTED)



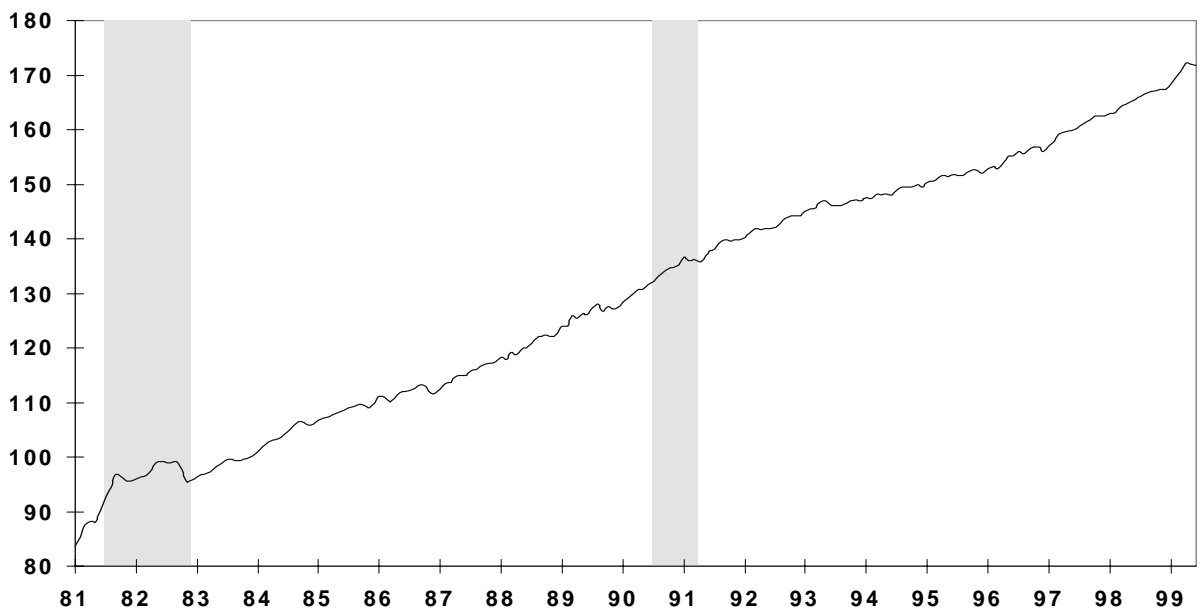
INSURED
UNEMPLOYMENT,
AVERAGE WEEKS
CLAIMED
(THOUSANDS, SEASONALLY
ADJUSTED)



CONSUMER PRICE
INDEX, LOS ANGELES
(1982-84=100)



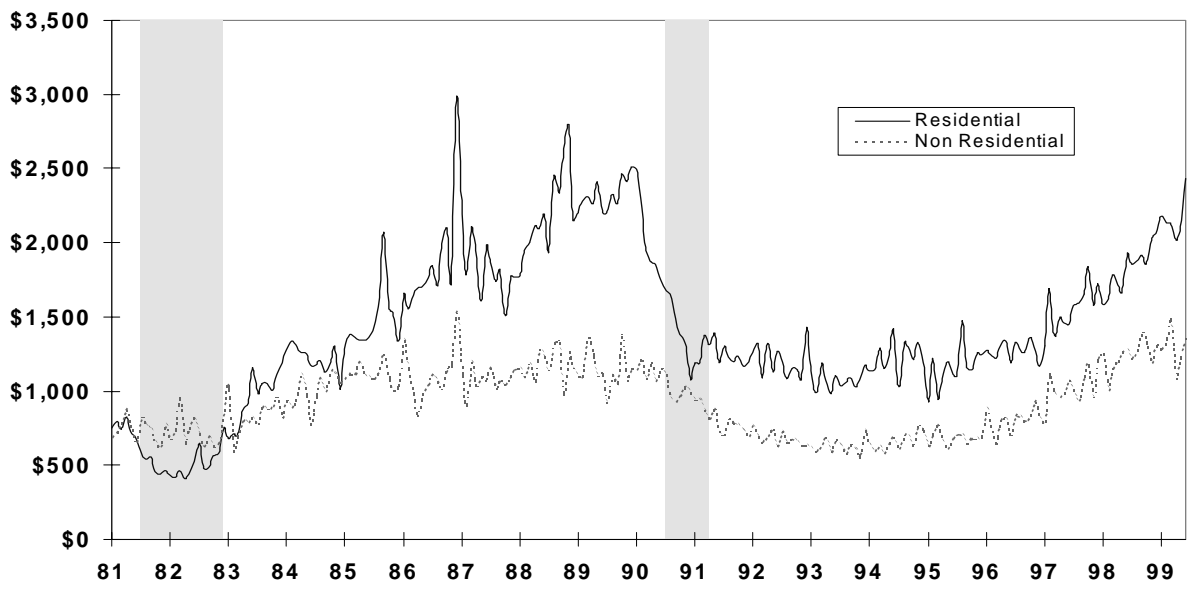
CONSUMER PRICE INDEX,
SAN FRANCISCO
(1982-84=100)



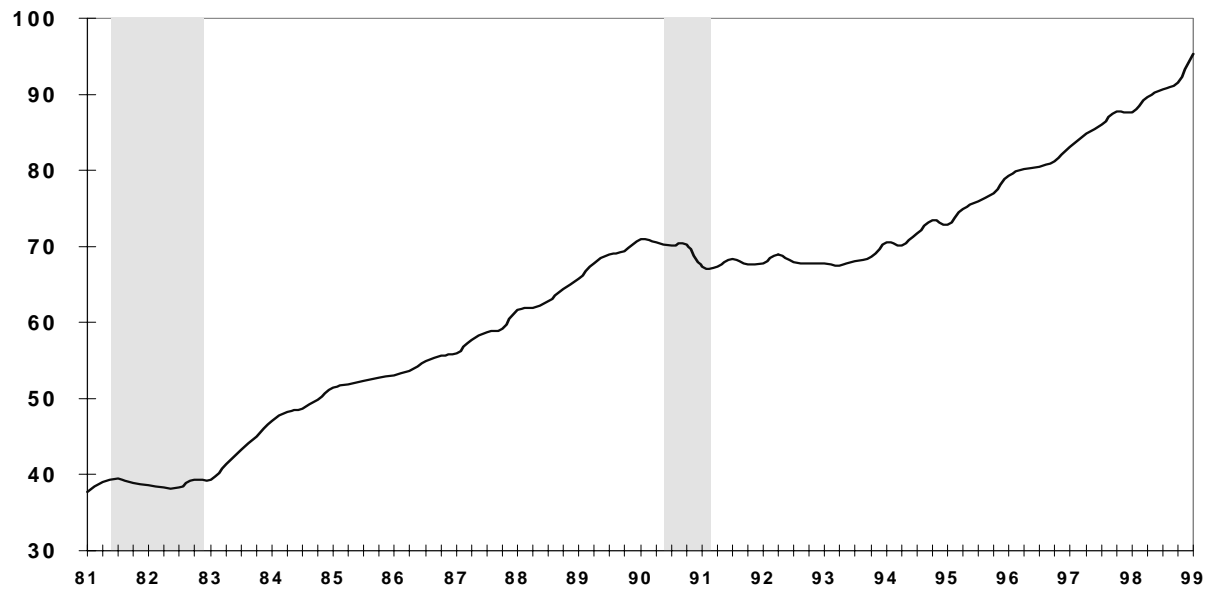
NEW HOUSING UNITS
AUTHORIZED BY
BUILDING PERMITS
(THOUSANDS, SEASONALLY ADJUSTED
AT ANNUAL RATE)



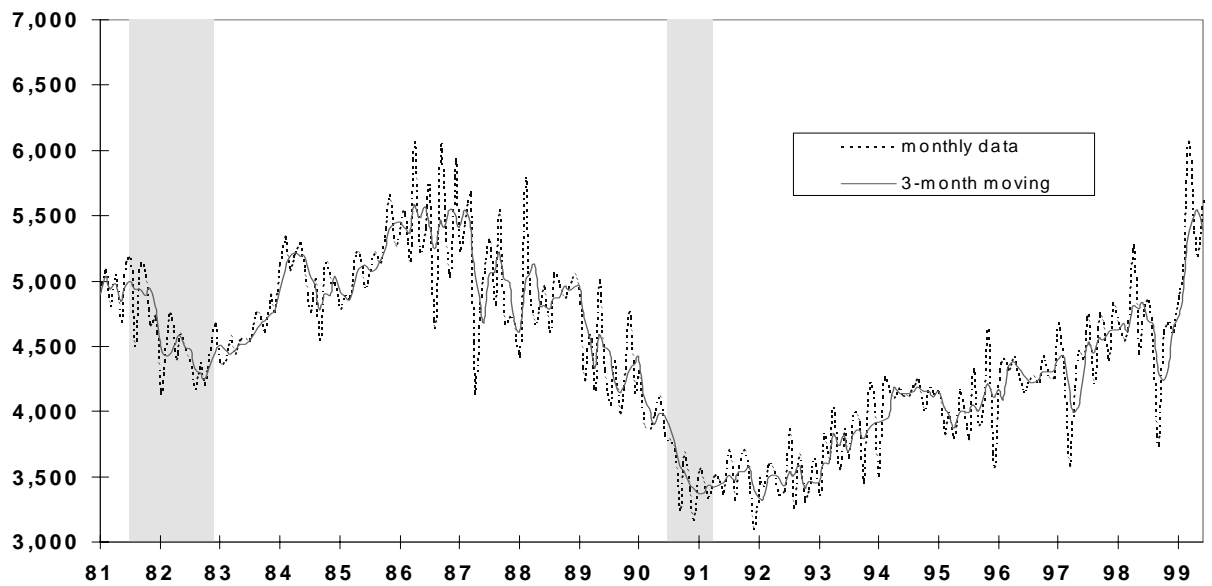
RESIDENTIAL
AND
NONRESIDENTIAL
BUILDING PERMIT
VALUATION
(DOLLARS IN MILLIONS,
SEASONALLY ADJUSTED)



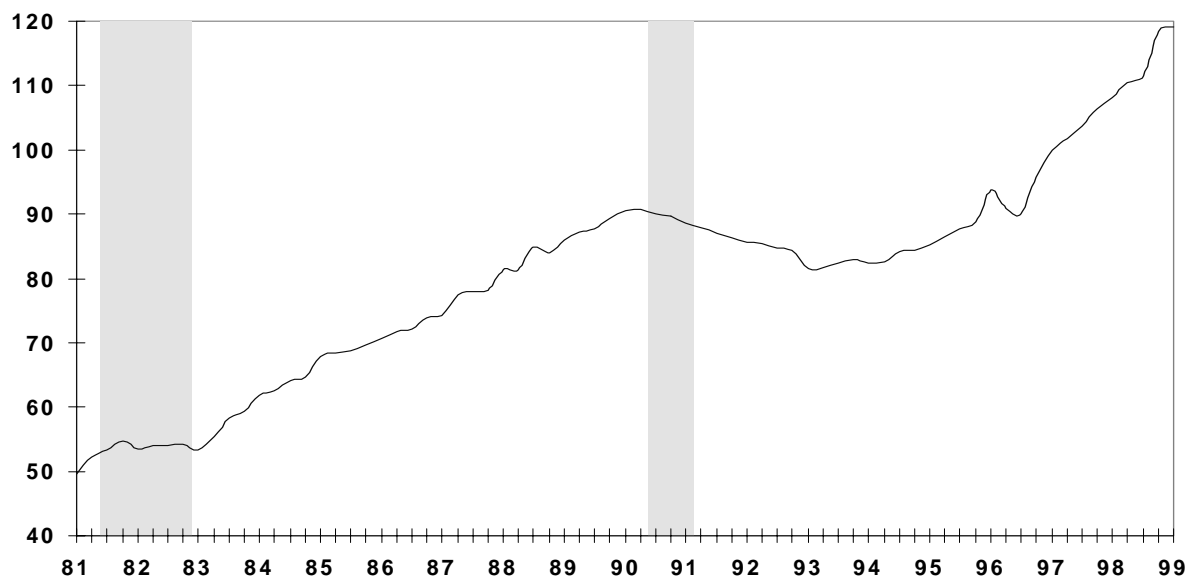
**TAXABLE
SALES**
(DOLLARS IN BILLIONS,
SEASONALLY ADJUSTED)



**NEW BUSINESS
INCORPORATIONS**
(SEASONALLY ADJUSTED)

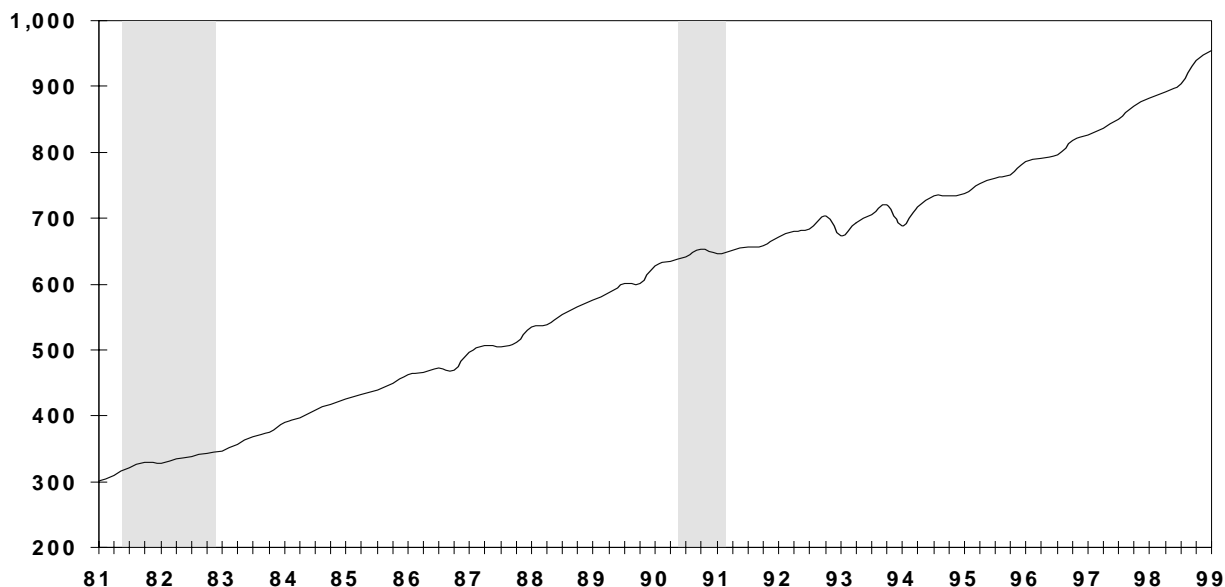


WAGES & SALARIES
MINING,
CONSTRUCTION &
MANUFACTURING
(DOLLARS IN BILLIONS
SEASONALLY ADJUSTED)



PERSONAL INCOME

(DOLLARS IN BILLIONS,
SEASONALLY ADJUSTED)



CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national and international events of general interest have also been included. A similar summary of event dating back to 1956 is available at the Department's home page at: <http://www.dof.ca.gov/>

1998

January 5

Bond prices surged sending the 30-year Treasury to a record low yield of 5.73 percent, while comparable government-bond yields reached their lowest levels since the 1960s.

February 2

Standard and Poor's stock index passed the 1000 milestone for the first time.

February 27

Fourth quarter 1997 GDP growth rate revised to 3.9 percent, down from an initial estimate of 4.3 percent.

March 1

California's minimum wage raised from \$5.15 to \$5.75.

Winter

El Nino-fueled storms caused widespread flooding and landslides in California. Thirty-five counties declared federal disaster areas. The State's agriculture industry estimates a flood-related loss of \$57.4 million so far.

March 19

The U.S. trade deficit for January widened to its worst level in six years.

March 20

Boeing plans to reduce approximately 6,200 jobs in California by the year 2000.

March 24

Xerox Corp. plans to cut 10,000 jobs worldwide or 11 percent of its workforce.

March 30

OPEC agreed to cut crude-oil production by 1.25 million barrels a day.

April 6

Dow Jones Industrial average topped the 9000 mark.

April 8

Tornadoes swept the South causing death and significant property damage.

April 13

NationsBank formally announced its merger with BankAmerica while BancOne confirmed its planned combination with First Chicago.

April 14

Intel announced that it will eliminate up to 3,000 jobs over the next six months.

CHRONOLOGY

...CONTINUED

April 22	National Semiconductor plans to cut its worldwide workforce by 10 percent, or about 1,400 people.
May 6	Compaq plans to eliminate 15,000 jobs following its purchase of Digital Equipment
June 4	Motorola plans to layoff 10 percent of its workforce, or about 15,000 workers.
June 5-July 28	United Auto Workers strike at General Motors.
June 8	Wells Fargo & Co. and Norwest agreed to merge.
June 12	California's unemployment rate fell in May to its lowest level in nearly 8 years.
June 18	Texas Instruments plans to eliminate 3,500 jobs worldwide, about 8 percent of its payroll.
June 24	OPEC agreed to cut crude-oil production by 1.4 million barrels per day. June 25 Rockwell International Corporation will cut 9 percent of its workforce, or 3,800 jobs.
June 26	El Niño damage to California's agricultural industry soars to \$422 million. Lockheed announced its plan to lay off 2,500 workers at Sunnyvale, California.
June	Japan officially declares a recession.
June 29	Chinese and U.S. companies signed \$1.1 billion in new business deals, including China's agreement of intent to purchase 27 Boeing Co. jetliners.
July 10	IMF agreed to provide Russia with an assistance package worth \$14 billion.
July 16	Lockheed Martin called off its proposed merger with Northrop Grumman. The Nasdaq composite edged over 2,000 for the first time.
August 13	Boeing to transfer selected 737 assembly processes to Long Beach, California.
August 14	California agriculture flourished in 1997, breaking records in both production and income NationsBank and BankAmerica merger gets federal approval.
August 17	Golden State Bancorp and California Federal Bank agreed to merge.
August 31	The Dow Jones Industrial average fell 512.61 points wiping out what remained of the year's gains. The Nasdaq Composite fell 140.43, its worst point drop ever.
September 2	Northwest Airlines issued layoff notices to 27,500 employees, or 55 percent of its workforce.
September 15	Rockwell International Corp. to eliminate around 900 jobs.
September 17	Citigroup expects to eliminate about 8,000 jobs by year end, or 5 percent of its workforce.
September 21	Russia devalues currency and restricts international transactions including debt repayments. Financial firms have lost more than \$8 billion so far in the fallout from Russia's financial collapse.
September 29	Federal funds rate reduced from 5.50 percent to 5.25 percent. Dow Jones Industrial average fell 237.90 points the next day.
October 2	California's credit rating was upgraded by Moody's Investors Service Hewlett-Packard Co. will eliminate 2,500 jobs or 2 percent of its workforce.
October 6	Washington Mutual Inc. will close 161 branches in California as a result of its Home Savings of America acquisition.
October 7	Raytheon Co. to cut workforce by 14,000.
October 8	Packard Bell NEC to cut U.S. workforce by 20 percent.
October 12	Merrill Lynch will cut work force by 3,400 or 5 percent.
October 15	Federal funds rate reduced from 5.25 to 5.00 percent. Discount rate reduced from 5.00 to 4.75 percent. The Dow Jones Industrial average rose to more than 330 points and led to rallies in European, Asian and Latin American stock markets. Canada and Argentina followed with rate cuts of their own.
October 30	Third quarter GDP jumped to an annual rate of 3.3 percent exceeding estimates.
November 12	Brazil reached a pact with leading countries and lenders on a \$42 billion rescue package, in a move aimed at preventing the financial crisis from spreading throughout South America.

CALIFORNIA
DEPARTMENT
OF FINANCE

915 - L STREET
EIGHTH FLOOR
SACRAMENTO, CA
95814

BEGINNING ISSUE	AMOUNT DUE
JAN/FEB	\$8.00
MAR/APR	6.75
MAY/JUNE	5.40
JULY/AUG	4.05
SEPT/OCT	2.70
NOV/DEC	1.35

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CHRONOLOGY

...CONTINUED

- November 17** Federal funds rate reduced from 5.00 to 4.75 percent. Discount rate reduced from 4.75 to 4.50 percent.
- December 1** Exxon and Mobil confirmed their plans to merge, creating the world's largest oil producer.
- December 2** NEC Electronics lays off about 400 workers or 13 percent of its U.S. workforce.
- December 9** MCI WorldCom Inc. plans to layoff about 3,750 or between 3 to 5 percent of its workforce. Trans World Airlines announced its biggest plane order ever, confirming it has placed orders and options for up to 250 Airbus and Boeing jets.

1999

- January 1** A new reserve currency, the "euro" is introduced, creating a single market in Europe. It will be the currency of reference for the 11 countries participating in the European Monetary Union.
- January 13** Brazil devalues its currency sending U.S. stocks into a free fall.
- January 21** The 1998 trade deficit hit an all-time high of \$175 billion, 58 percent more than the shortfall recorded in 1997.
- March 22** OPEC agreed to reduce crude oil production by 2.1 million barrels per day and maintain lower levels of output for a full year.
- March 29** Dow Jones Industrial average topped the 10,000 mark.
- April 9** The European Central Bank cut its key discount rate, for the first time, from 3.0 to 2.5 percent.
- June 29** Federal funds rate raised from 4.75 to 5.00 percent.
- July 28** GDP rose 2.3 percent in second quarter.